

# Codere Market Update

July 2020



**codere**

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## Summary of initiatives being deployed<sup>(1)</sup>

Once reopening dates are confirmed, we are targeting communication to customers inviting them to come back.

Our strategy will be to focus on accelerating revenue recovery through:

- Focus on best, higher frequency customers across all of our halls.
- In case severe capacity restrictions are imposed, we will reserve capacity for these valuable customers.
- Promotional and communication initiatives designed around these customers (as allowed per local regulations).
- Focus maintained on fostering omnichannel customers given successful results of online in recent weeks.

In terms of products and activities that we offer to our customers, we will prioritize those that are most profitable and less labour intensive (slots) and progressively open other lines of business (including food and beverage) as attendance recovers and capacity limitations are reduced or discarded.

In slots, due to capacity restrictions and social distancing requirements our lay outs and operation will be optimized:

- Focus on more successful, higher margin, machines (over performers before quarantine).

For this purpose we are changing layouts and moving thousands of machines to maximize the numbers that can play simultaneously and improve our margins.

Keeping our clients and employees safe and healthy will be our first priority. To achieve it, detailed protocols have been prepared in each geography according to local requirements and business context (these protocols may include, among other measures, temperature scanning, protective equipment, sanitizers, constant cleaning and sanitization of facilities, preserving social distancing).

A number of unprofitable halls, or where investments required to achieve profitability do not provide minimal returns, will not be reopened, in Mexico, Colombia, Spain or Italy.

On the cost side, we will maintain a flexible cost base to accommodate progressively to revenue growth, re-activating gradually our workforce as demand grows and as we reopen specific activities in our halls. In addition, we are working intensely to reduce fixed costs and to make them variable when there is an opportunity to do it, at least temporarily.

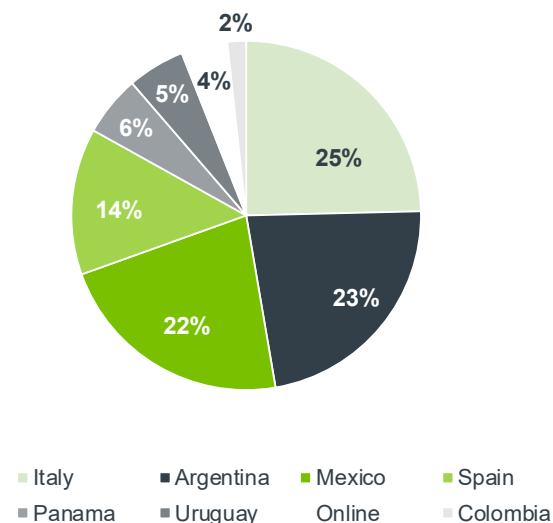
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1) Initiatives across markets vary depending on local gaming and health regulations.

### Gaming Capacity by Venue Q4 2019

Gaming Venues Q4-2019						
Region	Gaming Halls	Arcades	Bars	Sports Betting Shops	Racetracks	Total
<b>Latin America</b>						
Argentina	13	-	-	-	-	13
Mexico	96	-	-	93	1	97
Panama	11	-	-	8	1	12
Colombia	9	136	-	70	-	215
Uruguay (CN)	1	-	-	-	-	1
Uruguay (HRU)	5	-	-	29	2	31
<b>Total</b>	<b>135</b>	<b>136</b>	<b>-</b>	<b>200</b>	<b>4</b>	<b>369</b>
<b>Europe</b>						
Italy	11	-	2.198	-	-	2.209
Spain	3	1.026	7.147	61	-	8.237
<b>Total</b>	<b>14</b>	<b>1.026</b>	<b>9.345</b>	<b>61</b>	<b>-</b>	<b>10.446</b>
<b>Total Group</b>	<b>149</b>	<b>1.162</b>	<b>9.345</b>	<b>261</b>	<b>4</b>	<b>10.815</b>

### Revenue Mix – FY 2019



### Gaming Capacity – Re Opening<sup>(1,2)</sup>

Gaming Venues as of the date of this release						
Region	Gaming Halls	Arcades	Bars	Sports Betting Shops	Racetracks	Total
<b>Latin America</b>						
Mexico	7	-	-	7	-	7
Uruguay (HRU)	-	-	-	-	2	2
<b>Total</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>2</b>	<b>9</b>
<b>Europe</b>						
Italy	9	-	1.938	-	-	1.947
Spain	3	924	5.977	48	-	6.952
<b>Total</b>	<b>12</b>	<b>924</b>	<b>7.915</b>	<b>48</b>	<b>-</b>	<b>8.899</b>
<b>Total Group</b>	<b>19</b>	<b>924</b>	<b>7.915</b>	<b>55</b>	<b>2</b>	<b>8.908</b>

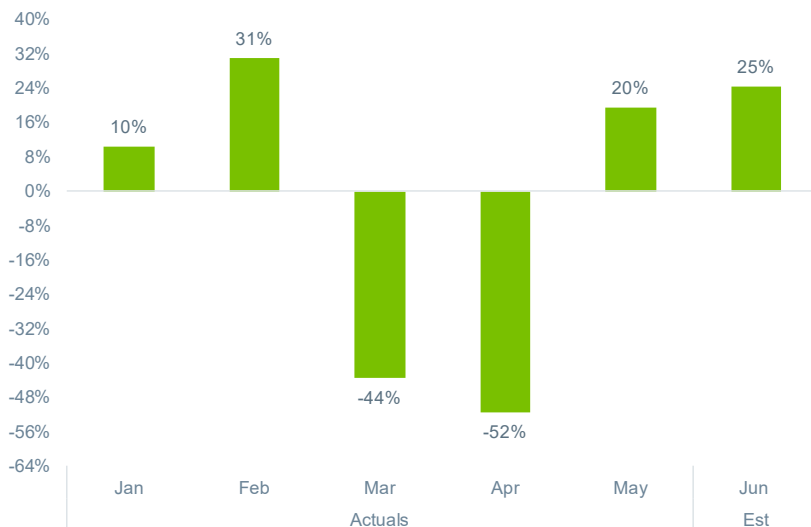
- Mexico reopened 2 halls in Morelos on June 24<sup>th</sup>, 1 hall in Aguascalientes on June 27<sup>th</sup>, 1 hall Baja California on July 2<sup>nd</sup> and 3 halls in other 3 states on July 10<sup>th</sup>.
- Uruguay Racetracks opened on May 15<sup>th</sup>.
- Italy opened 6 gaming halls in Mid June and 3 in first days of July. AWP's and VLT's in third party locations have restarted operations progressively since mid June<sup>(1)</sup>.
- Spain started reopened gaming halls, arcades and bars progressively since mid June<sup>(1)</sup>.

*(1) Due to the short time since the reopening of route business operation in Europe and cost containment measures not all points of sale have been yet collected. Consequently, there are no accurate figures for the total active units. Our latest estimations are that 80-90% of 2019 PoS are producing revenue as of the date of this release. Codere expects this number to go over 95% by the end of July.*

2) As of July 13<sup>th</sup>, 2020

## Geographies in Operation – Uruguay Racetrack

%  $\Delta$  YoY Handle (*Racetrack and Simulcasting*)



- Despite a high growth during restriction on wagers on our “Simulcasting” products (Wagers in other Racetracks through Maroñas On-line and our Call Center) during the closure handle went c. -50% below the previous year.
- Improved performance on our racetrack since its reopening (in mid-May), with a rise of handle of c. 24% year on year.
- Besides, the “simulcasting” channel growth in the previous month has not faltered, with a increase of c. 25% year on year in June.

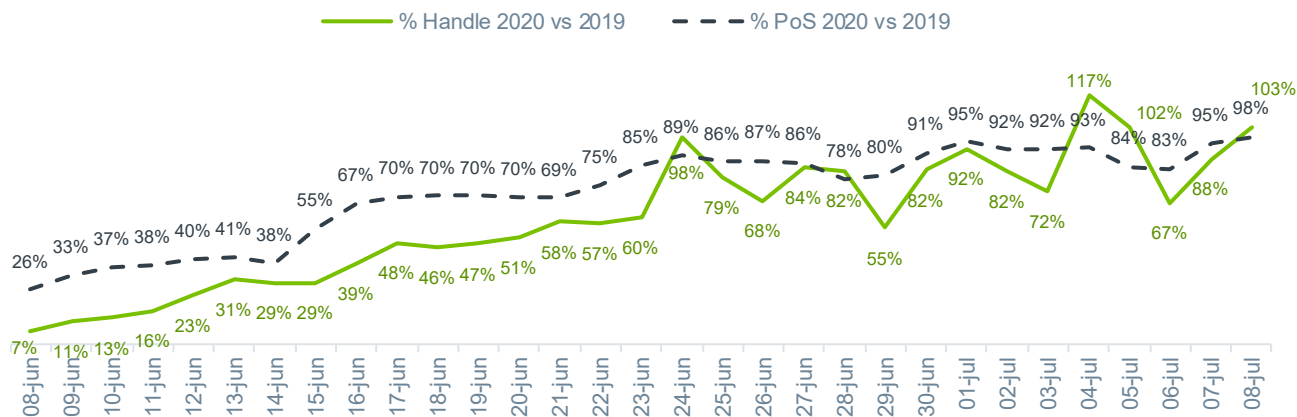
### Uruguay Racetrack Re-opening

- **Maroñas Racetrak** was opened on Saturday, May 16, with 10 races scheduled each racing day.
- **Las Piedras Racetrack** was opened on Monday, May 18.
- Racing is taking place under strict supervised health measures dictated by the Health Care Ministry, adhering to health protocols and permitting only essential personnel on-site.
- Wagers are only being accepted through the Call Center, Maroñas On-line and third-party run OTBs and ADWs locally and internationally.

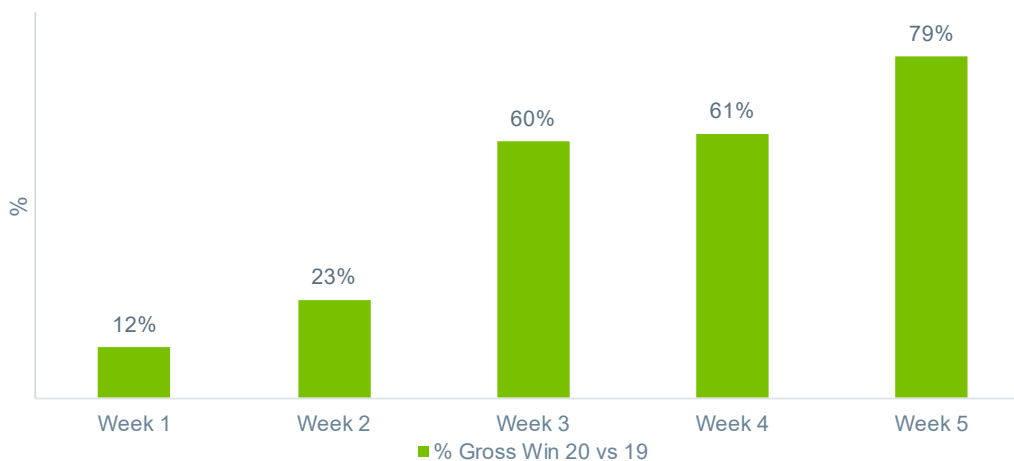
# Geographies in Operation – Spain

Operating since the June 8<sup>th</sup>. Figures compare Bet and Gross Win vs. 2019 figures.

## Sports Betting – Handle and PoS evolution



## AWP – Gross Win per Week vs 2019

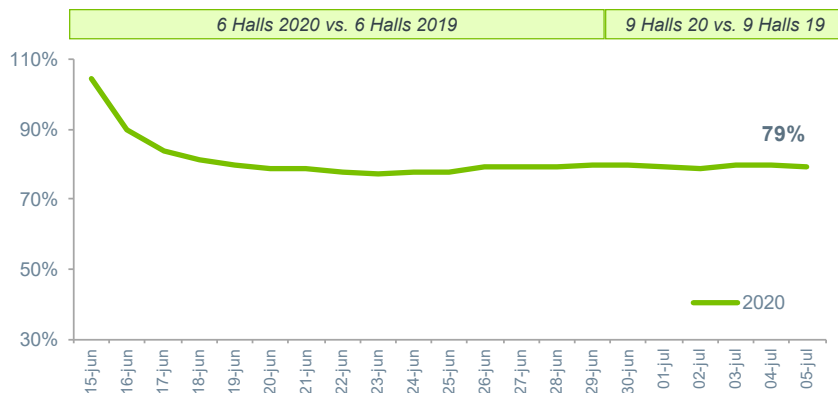


## Geographies in Operation – Italy Bingo Halls

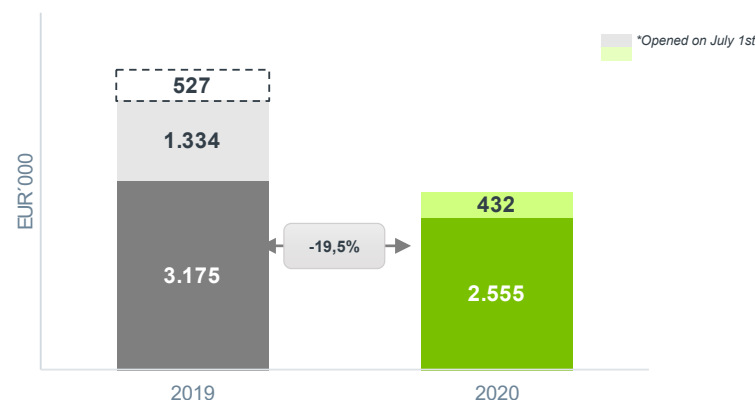
Operating since the 15th of June. Figures compare handle in the period June 15-28 versus 2019 figures.

Region Hall Status	Campania		Lombardia	Piemonte	Puglia	Emilia-	Lazio			Campania	Emilia-
	Modernissimo	Royal	Mortara	Palace	Ariston	Vittoria	Re	Garbini	Cola di Rienzo	Maxibingo	Regina
	June 15, 2020	June 15, 2020	June 15, 2020	June 15, 2020	June 15, 2020	June 19, 2020	July 1, 2020	July 1, 2020	July 1, 2020	Closed	Closed

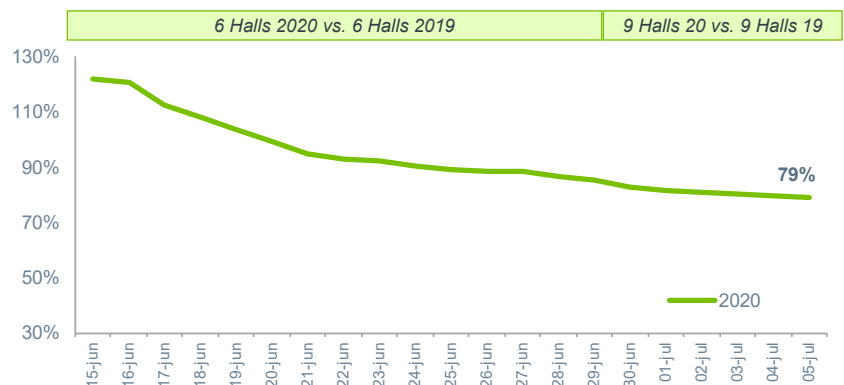
### Amounts Wagered Bingo vs 2019 – Average % evolution YTD



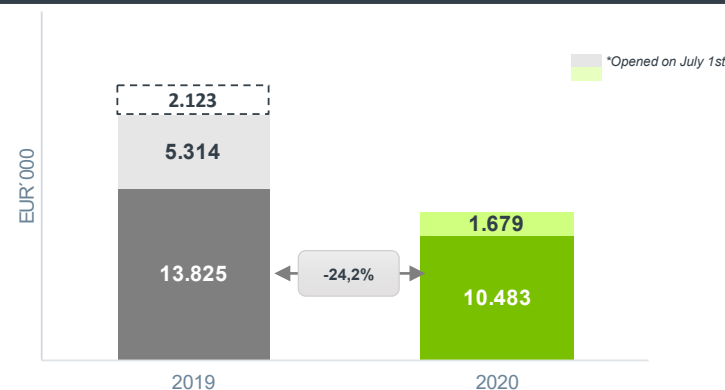
### Amounts Wagered Bingo – Since Re Opening



### Amounts Wagered VLTs vs 2019 – Average % evolution YTD



### Amounts Wagered VLTs – Since Re opening



Our Online revenue has improved following the steady recovery of the sports calendar. It has driven a strong recovery in our online volumes. In Spain, our business is growing and gaining market share, and our international business is displaying solid recovery.

We worked with our providers during March and April to add a significant amount of alternative products to our offer such as table tennis and e-sports and customers continued to place bets, particularly on the live-streamed events. By the end of April, the number of our live-streamed events actually exceeded pre-COVID levels (>5,000 events per week) and with the return of football and tennis we have reached 8,000 events per week.

We are pleased to note that Online sports wagers have improved significantly throughout June, benefitting from the resumption of the German Bundesliga and the Spanish, English and Italian Leagues. With the main football leagues continuing through July, the planned return of NBA in late July (very relevant for our Mexican market), Champions League football in August, and the return of the tennis Grand Slam Tournaments and other ATP events, we expect to have a much stronger summer season than last year.

Current initiatives in the business unit:

- New and enhanced product roll-out.
- Continued upgrading of our platform and technology.
- Additional safe-gambling measures implemented.
- Recovery of marketing activity in Spain after advertising ban has been lifted.

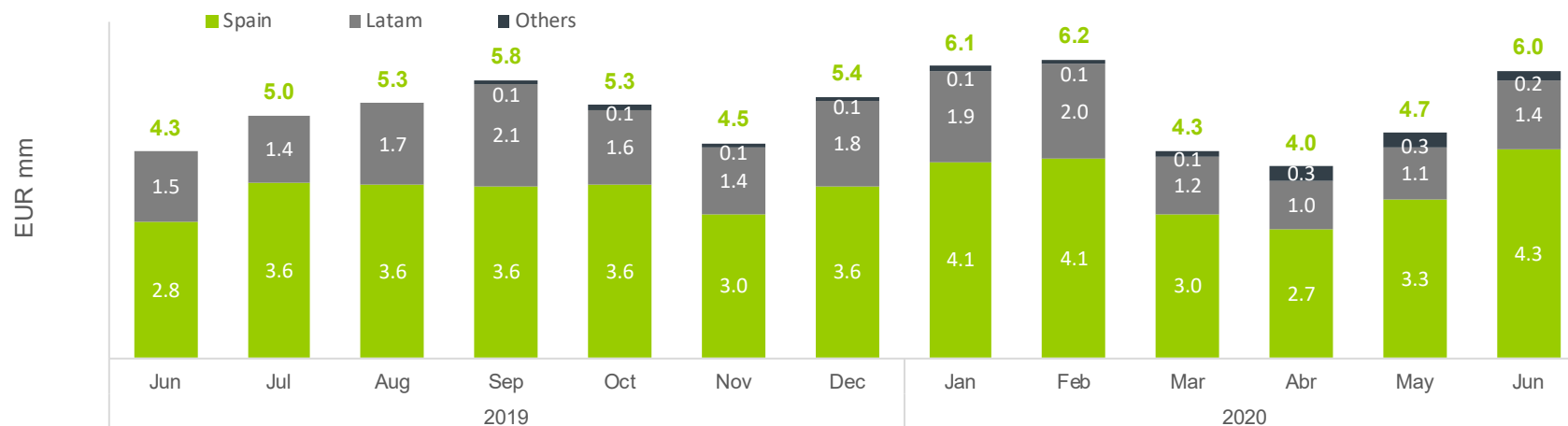
We expect to also benefit from our efforts during the pandemic:

- Cross selling promotions to keep our customers entertained in Casino when we had no relevant sport events.
- Enhancing our omnichannel strategy to offer online products to our massive retail customers.
- Developed new features in our platform to get a better customer journey for our clients.
- Launched some new payment processing solutions.

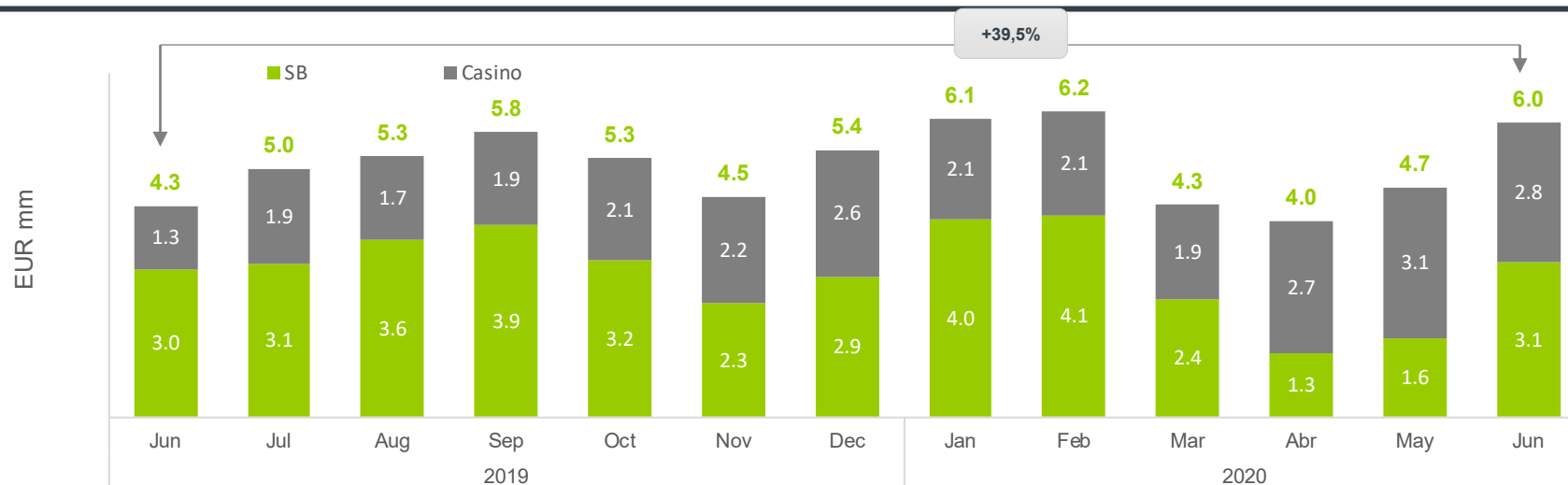
Finally, we are operating our promotional efforts based on a new customer segmentation with customized landing pages per segment to offer a full new experience different for each player, on a new, more powerful casino promotions engine, on additional premium sports betting offers and on a set of renewed TV campaigns in Spain, Mexico and Colombia.



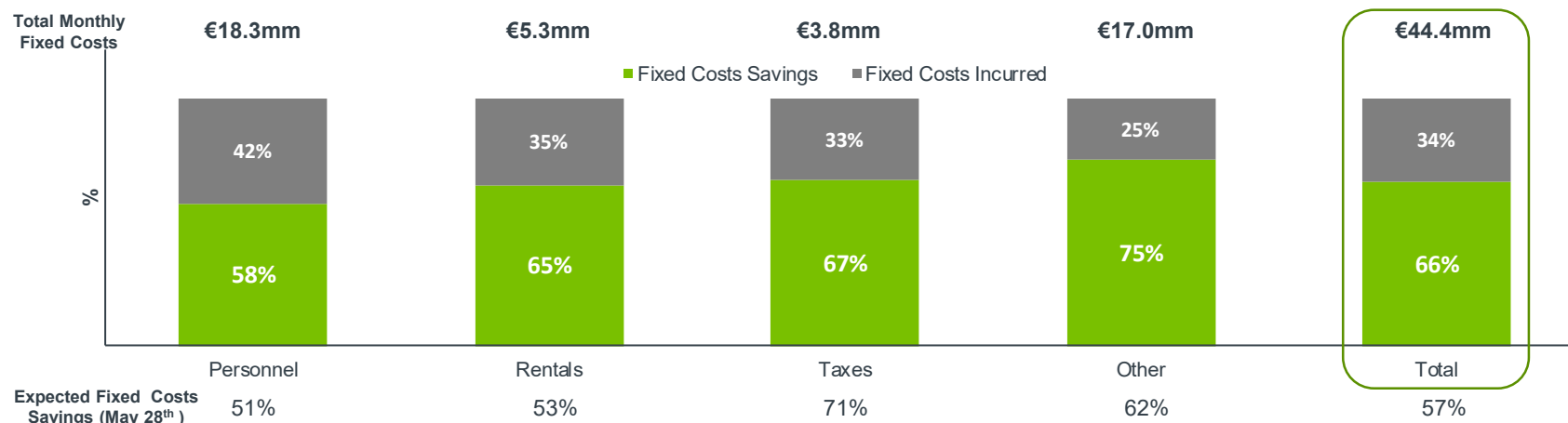
Revenue Monthly



Revenue Mix



## Expected Savings by Category



- We have reduced our headcount dedication to the minimal necessary to maintain the companies and prepare for the reopenings. Depending on the country and the level of financial aid from the government we are supporting furloughed employees with around 50% of their salary.
  - We have applied and are obtaining government support to cover salary costs in Spain, Italy, Argentina and Uruguay.
  - In other markets where there is no public support, we have reduced significantly salary payments while preserving our workforce to reopen rapidly our halls when possible.
- We have also engaged in negotiations with landlords to waive and / or defer lease payments across the Group as per local regulations.
  - Certain legal frameworks, such as Panama, have allowed for full waivers, while in most places we are agreeing to partial waivers coupled with additional deferrals of the amounts to be paid.
  - Additionally, we are also discussing a certain reduction of cost after the openings of the halls.
  - Catch-up payments on re-opening have also be negotiated, in most of the countries repayment deferral would be between 3 or 6 months after reopening
- Gaming taxes are variable in all markets except for Spain. In this market, different regional authorities are adopting various solutions, implying both waivers and deferrals to help the industry deal with the closing of operations.
- All commercial expenses and operational projects have been frozen, reducing related costs. At the same time, we are reducing to a minimum servicing of halls (cleaning, maintenance, security...) while paying other invoices such as utility expenses. Besides, we are preparing to reopen our halls, which implies certain critical supplies and equipment to be acquired.
- It is important to highlight that savings have progressively improved since initial estimates reported in May 28th. Firstly, we expected to achieve 57% of fixed cost savings during the closure of the retail business. That was increased to 61% of actual figures in April and 66% in May (as shown above). Most additional improvements come from rentals (due to further renegotiation of contracts and the closure or renegotiation of non-profitable halls) and personnel costs, as we were more aggressive reducing our contribution to salaries and increased reach of temporary employment reductions in Spain.

1) Figures reflect 2020 budgeted monthly fixed costs in May.

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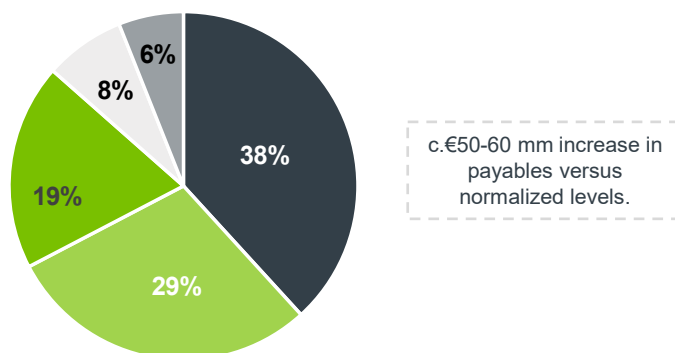
## Codere Group Liquidity Evolution

	April	May	June	July (6 - 12 )
	ACT	ACT	FCST	FCST
Argentina	1,7	1,0	2,7	0,9
Mexico	18,5	9,8	6,1	2,8
Panama	1,8	1,7	1,7	1,4
Colombia	1,0	1,1	0,6	0,4
Uruguay	9,0	13,0	11,0	12,9
Spain	15,3	13,4	10,2	9,4
Italy	15,1	13,5	10,9	14,5
On-Line	4,6	3,9	7,5	8,7
Headquarter	61,0	27,7	20,1	16,6
<b>TOTAL GROUP CASH</b>	<b>128,1</b>	<b>85,1</b>	<b>70,7</b>	<b>67,4</b>
NOT AVAILABLE CASH	16,9	20,2	18,2	19,4
<b>GROUP AVAILABLE CASH</b>	<b>111,2</b>	<b>64,9</b>	<b>52,5</b>	<b>48,0</b>
CASH BALANCE IN ITA & URU HRU	21,2	20,7	19,9	26,7
<b>GROUP CASH (Exc ITA &amp; HRU)</b>	<b>90,0</b>	<b>44,1</b>	<b>32,6</b>	<b>21,3</b>

- As expected, the company consumed EUR 20-25 mm<sup>(1)</sup> from mid-March to mid-June when our operations were shuttered.
- As we started operations in Spain and Italy, and Online started benefitting from Sports Events being re-activated, our cash consumption rate is reducing to EUR 15-20mm in July.
  - This includes initial payments to reduce extended payments (mainly in Spain, Italy and headquarters).
  - It also includes increased rates of advisors expenses in headquarters as a result of the financial initiatives underway.
- Additionally, in coming weeks we will use cash to re-open halls in Latam markets, which will also imply to start reducing extended payments in such markets.
- The company is constrained to upstream cash from Uruguay and Italy in the current circumstances as local companies must prioritize servicing local debt obligations (until normalization is achieved) and existing PREU payment schedules as defined by local authorities.

1) Excluding Coupon payment.

## Payables Breakdown

Increase over normalized levels of payables per category by July 31<sup>st</sup>

■ Operation Suppliers ■ Capex financings ■ Taxes ■ Others ■ Rentals

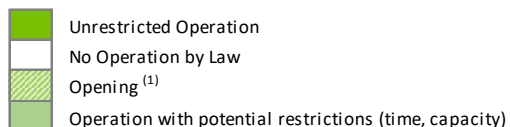
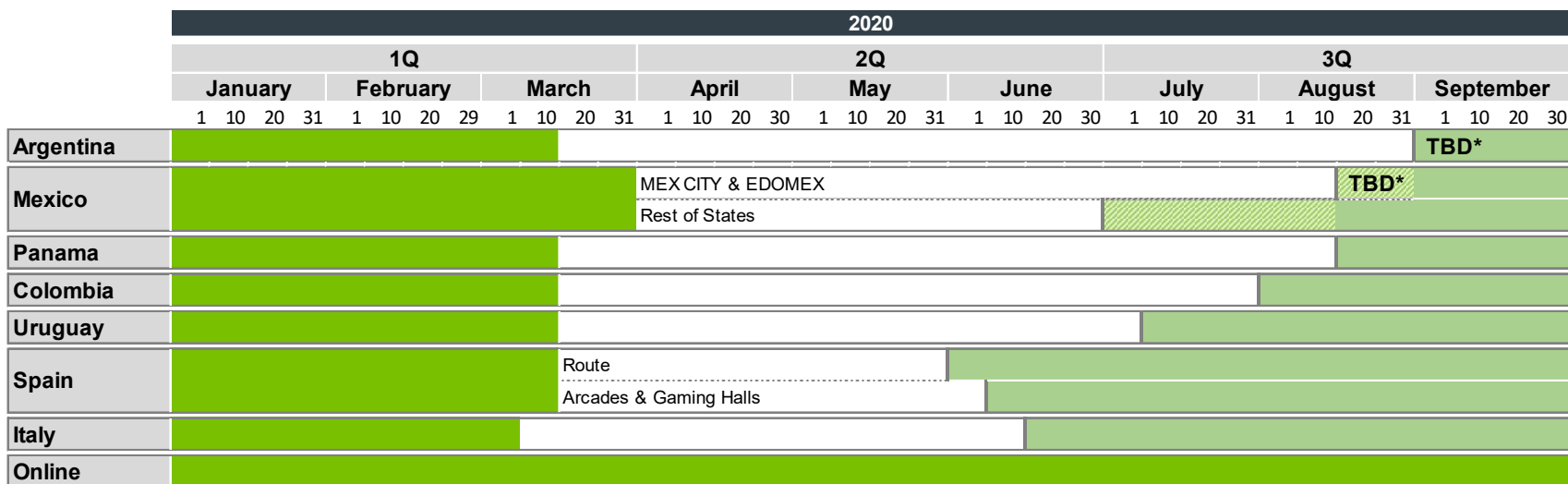
## To mitigate use of cash the company:

- Has reduced fixed operational expenses for more than 65% (explained previously) and reduced to a minimal amount capex expenditures in the period.
- Has negotiated or is negotiating deferrals and payment plans with all major suppliers and providers of services (including Capex).
- Has used available regulatory avenues (existing and new) to delay / defer payment of taxes.
  - Balance of gaming deferred taxes in Spain has increased by EUR c.12mm by June 30<sup>th</sup> (1).
- We have negotiated principal holidays in most of our local financings.
- The c.€50-60 mm increase in normalized levels of payables derived from these cash preservation initiatives will be progressively reduced in the next three quarters.

1) From a net Balance of c. 28m in February 29<sup>th</sup> to c. 40m in June 30<sup>th</sup>. Not included as extended payables

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## Updated timeline



\* To Be Determined - as per management expectations

- HRU Racetrack was opened on May 15<sup>th</sup>.
- Spain – Since June 1<sup>st</sup>, Bars, Restaurants, Casino and Arcades were able to open gradually throughout the different Autonomous Regions. Since June 21<sup>st</sup>, the State of Alarm has finished, however, some restrictions can remain in some regions (Many of the regions have already announced measures that will limit the capacity of customers and visitors in certain establishments).
- Italy – Progressive openings starting on June 15<sup>th</sup> (different dates per region), Bingo Halls, Arcades and Betting shops in Italy have started to operate, under certain measures to help protect employee and customers.
- The online offer remained operative but affected by the suspension or delay of sporting events, the lack of cash deposits in our retail network and the ban of advertising or any promotion of the business during the emergency period in Spain (our main online market).

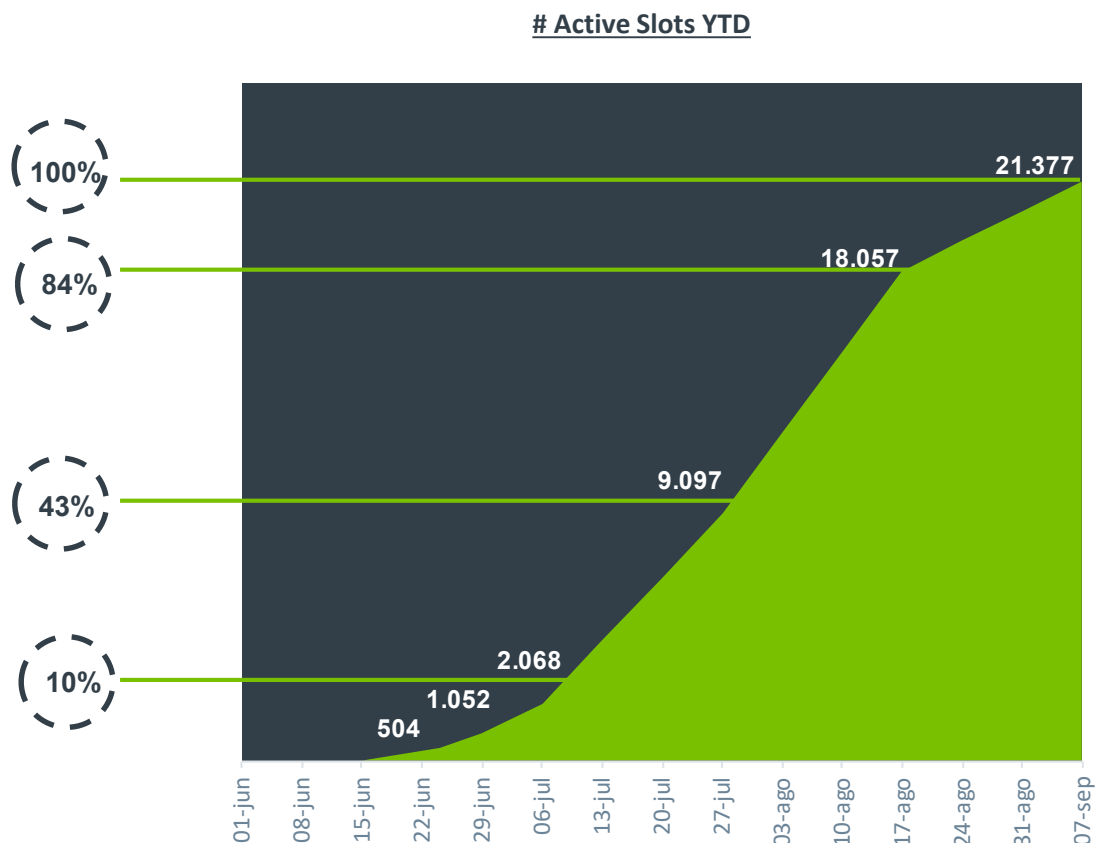
1) Expected dates, subject to variations based on existing or new government regulations or decisions.

## Updated timeline – Mexico

- As of the date of this report, there were 7 halls reopened: 2 halls in Morelos since June 24<sup>th</sup>, 1 hall in Aguascalientes June 27<sup>th</sup>, 1 hall in Baja California July 2<sup>nd</sup> and 3 hall in other 3 states on July 10<sup>th</sup>.
- The halls already reopened feature the full portfolio of slots, maintaining social distancing requirements between customers. Codere expects to have more than 50% of the slot portfolio working by the end of July and 100% in early September.
- It is still early to determine revenue trends in the country with very few days of activity yet and halls ranging between 20 and 50% of pre-COVID19 revenue levels.

	# Halls	# Slots
Aguascalientes	1	238
Baja California	6	1.326
Baja California Sur	2	536
Campeche	2	281
CDMX	18	4.710
Chiapas	1	212
Chihuahua	3	462
Colima	1	144
Durango	1	251
Estado de México	10	1.933
Guanajuato	5	722
Guerrero	2	278
Jalisco	5	1.340
Michoacán	1	320
Morelos	2	504
Nuevo León	2	633
Puebla	5	842
Querétaro	1	254
Quintana Roo	5	917
San Luis Potosí	1	259
Sinaloa	5	1.812
Sonora	5	1.313
Tabasco	2	306
Veracruz	8	1.588
Yucatán	1	196
<b>Total</b>	<b>95</b>	<b>21.377</b>

■ Open  
■ Partially Opened (1 hall in each state)





## Guidance Highlights

- Opening calendar considers the reopening of Europe since mid June and the progressive opening of Latam markets through July, August and September. Our estimations consider operating under social distancing requirements in all markets.
- The focus of the Company will be to recover customers through loyalty club and CRM tools with targeted communication to most valuable/higher frequency and omnichannel customers to cross sell our online offering.
- Derived from gradual the reopening and recovery of normal activity the company expects to report revenues in the range of EUR 650-750mm in 2020.
- In the last quarter of the year (Q4 2020), our estimation is to reach revenue levels of 70%-75% of those reported in Q4 2019.
- We will continue to get savings coming from a gradual recovery of headcount levels, reduction in lease costs and other operational savings through the second half of the year and until we regain previous revenue levels well within 2021. We expect some of these measures will be maintained and consolidated in our recovered run rates.
- In Q4 2020 we would be reaching Adjusted EBITDA levels of 55%-60% of those of reported in Q4 2019.
- The company expects to reduce cash utilization levels from EUR c.15-20mm in July to produce operating cash in October, consuming EUR c. 50mm until such date (prior to servicing October coupon payment and full repayment of accumulated payables).
- The execution of the proposed refinancing transaction agreed with the AHC (as described in the Privileged Information released on July 14th) provides the company the additional liquidity it requires until normalization of business while extending the maturity of the senior bonds (and the new super senior tranche) to November 2023.
  - As reported in our Q1 2020 results, the company required net additional liquidity of EUR c.100mm to cover expected cash leakage until normalization of business (including repayment of extended payables), such amount is provided by the refinancing transaction.
  - The agreed refinancing transaction also provides the liquidity required to repay the current SSRCF and to cover the costs of the process.